

175.37 Agricultural assets transfer tax credit — agreement.

1. An agricultural assets transfer tax credit is allowed under this section. The tax credit is allowed against the taxes imposed in chapter 422, division II, as provided in section 422.11M, and in chapter 422, division III, as provided in section 422.33, to facilitate the transfer of agricultural assets from a taxpayer to a qualified beginning farmer.

2. In order to qualify for the tax credit, the taxpayer must meet qualifications established by rules adopted by the authority. At a minimum, the taxpayer must comply with all of the following:

a. Be a person who may acquire or otherwise obtain or lease agricultural land in this state pursuant to chapter 9H or 9I. However, the taxpayer must not be a person who may acquire or otherwise obtain or lease agricultural land exclusively because of an exception provided in one of those chapters or in a provision of another chapter of this Code including but not limited to chapter 10, 10D, or 501, or section 15E.207.

b. Execute an agricultural assets transfer agreement with a qualified beginning farmer as provided in this section.

3. An individual may claim a tax credit under this section of a partnership, limited liability company, S corporation, estate, or trust electing to have income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings from the partnership, limited liability company, S corporation, estate, or trust.

4. The tax credit is allowed only for agricultural assets that are subject to an agricultural assets transfer agreement. The agreement shall provide for the lease of agricultural land located in this state, including any improvements and may provide for the rental of agricultural equipment as defined in section 322F.1.

a. The agreement shall include a lease made on a cash basis or on a commodity share basis which includes a share of the crops or livestock produced on the agricultural land. The agreement must be in writing.

b. The agreement shall be for at least two years, but not more than five years. The agreement or that part of the agreement providing for the lease may be renewed by the qualified beginning farmer for a term of at least two years, but not more than five years. An agreement does not include a lease or the rental of equipment intended as a security.

c. The agricultural transfer agreement cannot be assigned and the land subject to the agreement cannot be subleased.

5. The tax credit shall be based on the agricultural assets transfer agreement. The agreement shall be based on a cash basis or a commodity share basis or both.

a. For an agreement that includes a lease on a cash basis, the tax credit shall be computed as follows:

(1) If the qualified beginning farmer is not a veteran, the taxpayer may claim a tax credit equal to seven percent of the gross amount paid to the taxpayer under the agreement for each tax year that the tax credit is allowed.

(2) If the qualified beginning farmer is a veteran, the taxpayer may claim eight percent of the gross amount paid to the taxpayer under the agreement for the first year that the tax credit is allowed and seven percent of the gross amount paid to the taxpayer for each subsequent tax year that the tax credit is allowed. However, the taxpayer may only claim seven percent of the gross amount paid to the taxpayer under a renewed agreement or a new agreement executed by the same parties.

b. For an agreement that includes a lease on a commodity share basis, the tax credit shall be computed as follows:

(1) (a) If the qualified beginning farmer is not a veteran, the taxpayer may claim a tax credit equal to seventeen percent of the amount paid to the taxpayer from crops or animals sold under the agreement in which the payment is exclusively made from the sale of crops or animals.

(b) If the qualified beginning farmer is a veteran, the taxpayer may claim a tax credit equal to eighteen percent of the amount paid to the taxpayer from crops or animals sold under the agreement for the first tax year that the taxpayer is allowed the tax credit and seventeen percent of the amount paid to the taxpayer for each subsequent tax year that the taxpayer

is allowed the tax credit. However, the taxpayer may only claim seventeen percent of the amount paid to the taxpayer from crops or animals sold for any tax year under a renewed agreement or a new agreement executed by the same parties.

(2) Notwithstanding subparagraph (1), the authority may elect an alternative method to compute a tax credit for a lease based on a crop share basis. The alternative method shall utilize a formula which uses data compiled by the United States department of agriculture. The formula shall calculate the amount of the tax credit by multiplying the average per bushel yield for the same type of grain as produced under the lease in the same county where the leased land is located by a per bushel state price established for such type of grain harvested the previous fall.

6. A tax credit in excess of the taxpayer's liability for the tax year may be credited to the tax liability for the following five years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit. A tax credit shall not be transferable to any other person other than the taxpayer's estate or trust upon the taxpayer's death.

7. A taxpayer shall not claim a tax credit under this section unless a tax credit certificate issued by the authority is attached to the taxpayer's tax return for the tax year for which the tax credit is claimed. The authority must review and approve an application for a tax credit as provided by rules adopted by the authority. The application must include a copy of the agricultural assets transfer agreement. The authority may approve an application and issue a tax credit certificate to a taxpayer who has previously been allowed a tax credit under this section. The authority may require that the parties to an agricultural assets transfer agreement provide additional information as determined relevant by the authority. The authority shall review an application for a tax credit which includes the renewal of an agricultural assets transfer agreement to determine that the parties to the renewed agreement meet the same qualifications as required for an original application. The authority shall not approve an application or issue a tax credit certificate to a taxpayer for an amount in excess of fifty thousand dollars. In addition, the authority shall not approve an application or issue a certificate to a taxpayer if any of the following applies:

a. The taxpayer is at fault for terminating a prior agricultural assets transfer agreement as determined by the authority.

b. The taxpayer is any of the following:

(1) A party to a pending administrative or judicial action, including a contested case proceeding under chapter 17A, relating to an alleged violation involving an animal feeding operation as regulated by the department of natural resources, regardless of whether the pending action is brought by the department or the attorney general.

(2) Classified as a habitual violator for a violation of state law involving an animal feeding operation as regulated by the department of natural resources.

c. The agricultural assets are being leased or rented at a rate which is substantially higher or lower than the market rate for similar agricultural assets leased or rented within the same community, as determined by the authority.

8. A taxpayer or the qualified beginning farmer may terminate an agricultural assets transfer agreement as provided in the agreement or by law. The taxpayer must immediately notify the authority of the termination.

a. If the authority determines that the taxpayer is not at fault for the termination, the authority shall not issue a tax credit certificate to the taxpayer for a subsequent tax year based on the approved application. Any prior tax credit is allowed as provided in this section. The taxpayer may apply for and be issued another tax credit certificate for the same agricultural assets as provided in this section for any remaining tax years for which a certificate was not issued.

b. If the authority determines that the taxpayer is at fault for the termination, any prior tax credit allowed under this section is disallowed. The amount of the tax credit shall be immediately due and payable to the department of revenue. If a taxpayer does

not immediately notify the authority of the termination, the taxpayer shall be conclusively deemed at fault for the termination.

2006 Acts, ch 1161, §2, 7; 2007 Acts, ch 22, §45; 2009 Acts, ch 135, §2, 3; 2011 Acts, ch 118, §32, 89; 2013 Acts, ch 125, §8 – 17, 23, 24

Referred to in §2.48, 16.221, 175.2, 175.38, 175.39, 422.11M, 422.33

[SP] For future repeal of 2013 amendments to this section effective December 31, 2017, see 2013 Acts, ch 125, §25, 28

[SP] Former subsection 10 applied to agricultural assets transfer agreements executed on or after July 1, 2009; 2009 Acts, ch 135, §3

[SP] 2013 amendments take effect June 17, 2013, and apply retroactively to January 1, 2013, for tax years beginning on or after that date; 2013 Acts, ch 125, §23, 24

[T] Subsection 1 amended

[T] Subsection 2, paragraph b amended

[T] Subsections 4 and 5 amended

[T] Subsection 6 stricken and former subsections 7 – 9 renumbered as 6 – 8

[T] Subsection 7, unnumbered paragraph 1 amended

[T] Subsection 7 paragraph c stricken and former paragraph d redesignated as c

[T] Subsection 8, unnumbered paragraph 1 amended

[T] Subsection 8, paragraph b amended

[T] Former subsection 10 stricken